

**CITY OF MORGAN HILL
JOINT SPECIAL AND REGULAR CITY COUNCIL AND
REGULAR REDEVELOPMENT AGENCY MEETING
MINUTES – MAY 16, 2007**

CALL TO ORDER

Mayor/Chairman Tate called the meeting to order at 6:45 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Carr, Grzan, Lee, and Mayor/Chairman Tate
Late: Council/Agency Member Sellers (arrived at 6:55 p.m. and joined the Council in closed session)

DECLARATION OF POSTING OF AGENDA

Municipal Services Assistant Rice certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

City Council Action

CLOSED SESSION:

City Attorney Kern announced the below listed closed session item.

1.

CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION

Authority: Government Code section 54956.9(a)
Case Name: City of Morgan Hill v. Mark Weiss, individually and dba Solara Energy, Inc.
Case Number: County of Santa Clara No. 507-CV-002901
Attendees: City Manager; City Attorney

OPPORTUNITY FOR PUBLIC COMMENT

Mayor Tate opened the Closed Session item to public comment. No comments were offered.

ADJOURN TO CLOSED SESSION

Mayor Tate adjourned the meeting to Closed Session at 6:47 p.m.

RECONVENE

Mayor/Chairman Tate reconvened the meeting at 7:00 p.m.

CLOSED SESSION ANNOUNCEMENT

City Attorney Kern announced that no reportable action was taken in closed session.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

PRESENTATION

Steve Schwab introduced Ron Erskin with the Desperado Club, who in turn presented a donation check to the City of Morgan Hill in the amount of \$7,000+ for the purchase of four Automatic External Defibrillators in memory of his brother-in-law who passed away from a heart attack at the age of 42. The Defibrillators are to be housed at City Hall, Community & Cultural Center, Police Station, and the Outdoor Recreation Center.

PROCLAMATIONS

Mayor Tate presented a proclamation to Deputy Public Works Director Struve; proclaiming the week of May 20-26, 2007 as *National Public Works Week*.

Deputy Director of Public Works Struve indicated that on Thursday, May 24, 2007, Public Works Department staff will be hosting a special event in the area between City Hall and the Library. He stated that there will be 10 display stations depicting the work public works staff performs. He invited the public to attend this event. He informed the Council that St. Catherine's and PA Walsh Schools will be sending over 300 students to the event.

RECOGNITIONS

CITY COUNCIL REPORT

Council Member Sellers reported on the following: 1) He attended a meeting of the subcommittee of the Valley Transportation Authority (VTA) this afternoon; indicating that he serves on the VTA Board this year. He highlighted a couple of initiatives VTA is undertaking: a) A management audit that will be looking at the way the organization functions. It is his hope that the audit will institute significant changes in VTA such as streamlining/making more efficient board activities. b) Undertook a comprehensive operations analysis; focusing on making sure that those who need their services the most have them available, and ensuring that they maximize the financial return for the organization. He indicated that the City should be seeing the fruits of this effort this summer with the Community Bus Service and with changes to bus routes. 2) He services on the Council's Community & Economic Development Committee, and as an ex officio member of the Morgan Hill Downtown Association Board. He stated that the Association has announced several vacancies on the Board that they are in the process of filling. He said that it is exciting to see that they have many members in the community who have applied for these board positions. It was his belief this indicates support for the organization. He acknowledged Gary Walton for his years of service as the chair of the Board. Although he is moving on, he was sure Mr. Walton would remain active in some capacity. However, it was his belief that there will be new energy and enthusiasm on the Board now that the city is at a critical juncture in the downtown's development. He stated that he was looking forward to working with the new board members. He recommended the Council recognize past Board members and welcome the new board members as they come on board.

CITY COUNCIL COMMITTEE REPORTS

Mayor Pro Tempore Carr indicated that the Public Safety & Community Services Committee met this evening to start on the second goal identified by the Council to address fire and emergency medical services. The Committee also discussed the Council workshop scheduled for July that will allow Council members to spend more time on the recommendations made by the Committee on public safety services. He indicated that it would be helpful if all council members provide Assistant to the City Manager Stott their expectations of the workshop and what information Council members are seeking. This would assist in framing the workshop, and to meet all Council members' expectations.

CITY MANAGER REPORT

City Manager Tewes reported on the following:

- He had the opportunity to meet this morning with the Board of Directors of the Santa Clara Valley Water District (SCVWD). He presented the Board with the City's concerns about proposals they are considering relating to the Ground Water Extraction Fee. He indicated that approximately 20% of the City's water bill is paid to the SCVWD as a Ground Water Extraction Fee, and that these proceeds are used to purchase water from outside of Santa Clara Valley; recharging it into the groundwater basin. The SCVWD has a water rate system that establishes two categories of rate payers, with the city water rate users paying 11 times more than the amount paid by agricultural users for the same water being pumped from the underground basin. He informed the Council that he shared with the SCVWD Board a number of suggestions on how they can reduce costs, reallocate certain of the costs to provide greater equity for all users of the water basin, and to mitigate the need for future rate increases in Morgan Hill. He indicated that the Board was somewhat receptive to his suggestions, and indicated that they would like to have their staff work with the City on his recommendations. His recommendations would be brought back to the Board for consideration prior to the end of the fiscal year. However, the Board requested that the Morgan Hill City Council take formal action to make this request. He informed the Council that staff will return with an agenda item next week that would identify his specific suggestions to the Board; seeking Council endorsement of these suggestions.
- He addressed three items as listed on the consent calendar: Item 12 – a recommendation to award a contract to begin the design services for the Third Street Promenade in the downtown. This is an important project, and that staff recommends the Council add the recommended action to the Redevelopment Agency Consent Calendar as well so that RDA funds can be properly appropriated. Item 14 – A resolution of the City Council adopting salary and compensation schedules for the management and confidential employees. On the Dais is a page that corrects an error contained in the staff report; however, the resolution remains the same. Staff recommends that the management and confidential employees receive increases in the salary ranges equivalent to those bargained for with the AFSCME/Miscellaneous unit: a 3% increase on July 1 and a 2% increase on January 1. Item 16 – Presentation of the City Manager's recommended budget for Fiscal Year 2007-08. He indicated that this is an approximately \$120 million budget recommendation because the City is involved in many different enterprises and there is an ambitious capital program of \$40 million. The general fund portion of the \$120 million is approximately \$25 million. He indicated that the budget is balanced, and that it would produce a

slight operating surplus in accordance with the Council's earlier direction. He stated that tonight's action is to receive the budget; noting that the Council has announced its intention to conduct a public hearing on June 6 where the public will have the opportunity to comment on the proposed budget. He indicated that a copy of the budget can be found on the City's website and that copies are available at City Hall and the library. He noted that the Council will conduct an all day workshop this Friday in order to allow the Council to ask questions and identify issues that may develop in the course of the budget consideration.

CITY ATTORNEY REPORT

City Attorney Kern stated that she did not have a report to present this evening.

OTHER REPORTS

PUBLIC COMMENT

Mayor/Chairman Tate opened the floor to public comment for items not appearing on this evening's agenda. No comments were offered.

City Council and Redevelopment Agency Action

ADOPTION OF AGENDA

Action: *On a motion by Council/Agency Member Lee and seconded by Council/Agency Member Grzan, the City Council unanimously (5-0) **adopted** the Agenda as printed.*

City Council Action

CONSENT CALENDAR:

Action: *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Carr, the City Council unanimously (5-0) **Approved** Consent Calendar Items 1-14 as follows:*

1. **AUTOMATED EXTERNAL DEFIBRILLATOR DONATION**

Action: **Accepted** the Donation of Four Automated External Defibrillators from the Desperado Club.

2. **NEW LIBRARY PROJECT – APRIL CONSTRUCTION PROGRESS REPORT**

Action: **Information** only.

3. **BI-ANNUAL VACANCY RATE SURVEY**

Action: **Established** the Bi-Annual Vacancy Rate for April 2007 as Recommended by the Planning Commission.

4. **LEASING STRATEGY FOR THE SPACE ADJACENT TO THE POLICE DEPARTMENT**
Action: Adopted the Recommended Leasing Strategy.
5. **2006 ANNUAL CONSUMER CONFIDENCE REPORT REGARDING WATER QUALITY**
Action: For Council Information only.
6. **FINAL MAP APPROVAL FOR MADRONE PLAZA (TRACT 9896) AT BUTTERFIELD AND JARVIS**
Action: 1) Approved the Final Map, Subdivision Agreement, and Improvement Plans; 2) Authorized the City Manager to Sign a Subdivision Improvement Agreement on Behalf of the City, Subject to Review and Approval by the City Attorney; 3) Authorized the City Clerk to Sign the Final Map Authorizing Abandonment of Unused Easements; and 4) Authorized the Recordation of the Final Map and the Subdivision Improvement Agreement Following Recordation of the Development Improvement Agreement.
7. **TRAFFIC SAFE COMMUNITIES GRANT**
Action: Authorized the City Manager to Enter into an Agreement with Santa Clara County for a Traffic Safe Communities Grant.
8. **PUBLIC WORKS POLICY ON IMPACT FEES FOR COMMERCIAL AND INDUSTRIAL SHELL BUILDINGS**
Action: For Information only to Alert the City Council of a Revised Public Works Policy on Calculating Impact Fees for Commercial and Industrial Shell Building Development.
9. **ACCEPTANCE OF SUPPLEMENTAL IMPROVEMENTS FOR CONSTRUCTION OF LIFT STATION G**
Action: 1) Adopted Resolution No. 6093; Accepting the Supplemental Improvements for Construction of Lift Station G Sewer Pump Station; and 2) Directed the City Clerk to File a Notice of Completion with the County Recorder's Office.
10. **AWARD HILL ROAD, GALLANT FOX WAY, THOMAS GRADE AND OAK LEAF COURT SEWER REHABILITATION PROJECT**
Action: 1) Awarded Contract to Trinet Construction Inc. for the Construction of the Hill Road, Gallant Fox Way, Thomas Grade and Oak Leaf Court Sewer Rehabilitation Project in the Amount of \$119,400; and 2) Authorized Expenditure of Construction Contingency Funds Not to Exceed \$11,940.
11. **RESIDENTIAL DEVELOPMENT CONTROL SYSTEM (RDCS) 2007 QUARTERLY REPORT #1**
Action: Accepted and Filed the RDCS First Quarter Report for 2007.
12. **AWARD OF PROFESSIONAL SERVICES CONTRACT TO PREPARE UNDERGROUNDING UTILITIES DESIGN FOR THIRD STREET UNDERGROUNDING UTILITIES PROJECT**

Action: 1) **Transferred** \$39,000 from Current Year RDA Funds (317-8010) to CIP Project #544007, Third Street Undergrounding Utilities Project; and 2) **Authorized** the City Manager to Execute a Consultant Agreement with Giacalone Design Services, Inc. (GDSI) in the Amount of \$39,000 for the Preparation of Undergrounding Utilities Engineering Design for the Third Street Undergrounding Utilities Project; Subject to Review and Approval by the City Attorney. **Note:** *This action was approved as a joint City Council and Redevelopment Agency Action item.*

13. **SECOND AMENDMENT TO AGREEMENT WITH THE STROMBOTNE LAW FIRM**

Action: **Authorized** the City Manager to Execute a Second Amendment to Agreement with the Strombotne Law Firm.

14. **RESOLUTION PROVIDING COMPENSATION FOR CITY OF MORGAN HILL MANAGEMENT AND CONFIDENTIAL EMPLOYEES**

Action: **Adopted** Management Resolution No. 6094.

City Council and Redevelopment Agency Action

CONSENT CALENDAR:

Action: *On a motion by Council/Agency Member Sellers and seconded by Mayor Pro Tempore/Vice-chair Carr, the City Council/Agency Board unanimously (5-0) **Approved** Consent Calendar Items 12, 15-16, as follows:*

12. **AWARD OF PROFESSIONAL SERVICES CONTRACT TO PREPARE UNDERGROUNDING UTILITIES DESIGN FOR THIRD STREET UNDERGROUNDING UTILITIES PROJECT**

Action: 1) **Transferred** \$39,000 from Current Year RDA Funds (317-8010) to CIP Project #544007, Third Street Undergrounding Utilities Project; and 2) **Authorized** the City Manager to Execute a Consultant Agreement with Giacalone Design Services, Inc. (GDSI) in the Amount of \$39,000 for the Preparation of Undergrounding Utilities Engineering Design for the Third Street Undergrounding Utilities Project; Subject to Review and Approval by the City Attorney. **Note:** *This item approved as part of the City Council Consent Calendar as well.*

15. **JOINT REGULAR CITY COUNCIL AND REGULAR REDEVELOPMENT AGENCY MEETING MINUTES OF APRIL 25, 2007**

Action: **Approved** as Submitted.

16. **CITY MANAGER'S PROPOSED FISCAL YEAR 2007-2008 BUDGET AND CAPITAL IMPROVEMENT PROGRAM**

Action: **Received** the City Manager's Proposed Fiscal Year 2007-2008 Budget and Capital Improvement Program.

City Council Action

PUBLIC HEARINGS:

17. ZONING AMENDMENT, ZAA-05-16 AND DEVELOPMENT AGREEMENT, DAA-05-07: WRIGHT AVENUE – MANANA – *Ordinance Nos. 1836 and 1837, New Series*

Mayor Pro Tempore Carr indicated that he owns property located within 500 feet of this application. Therefore, he would be recusing himself from participating on this item. He excused himself from the Council Chambers.

Community Development Director Molloy Previsich presented the staff report on a request to amend a precise development plan, and the development agreement for a 15-lot single family residential project located on the northwest quadrant of Hale and Wright Avenues. She informed the Council that it previously approved the precise development plan that included a .27 acre park along the eastern edge of the subdivision and adjacent to the future realignment/widening of West Little Llagas Creek. She indicated that in the course of pursuing the necessary approvals from other agencies; including the Water District, the Regional Water Quality Control Board, Department of Fish & Game, etc., the developer had trouble obtaining approvals because of the overlapping park and flood protection functions. She said that it turned out that the best solution was to eliminate the park improvements; however, the pathway would be retained. This would result in no private homeowners association being required. Instead, the developer would maintain the vegetation within the realigned drainage area until the Water District takes it over as part of the future PL566 and the upper Llagas Creek Flood Protection project. She indicated that the Planning Commission held a public hearing on April 24, 2007, and unanimously recommends that the Council adopt the mitigated negative declaration, approve of the zoning amendment to amend the precise development, and approve the amendment to the development agreement.

Council Member Grzan inquired whether there would be a savings to the developer with this particular plan.

Ms. Molloy Previsich indicated that the amendment to the development agreement eliminates reference to the park that would be created, and instead requires the applicant to pay park in lieu fees equal to the value of the land per the City's Municipal Code provisions. The payment of the fees would be the substitute measure in order to retain the four points received for this project's commitment.

Council Member Sellers noted that the staff report references a park and path area with access from Wright Avenue. He inquired as to the appearance of the park and path area next to Hale Avenue (e.g., direct drainage view).

Ms. Molloy Previsich said that it was her understanding that the pathway would be located directly west of the ditch area. However, it was also her understanding that there would be a continuous sidewalk along Hale Avenue, and that it is to be extended to the Mirasol project on Hale Avenue, south to Wright Avenue.

Mayor Tate opened the public hearing.

Dick Oliver, representing the owner/developer, informed the Council that he submitted an application to the Water District over 2.5 years ago to help solve the problem associated with Llagas Creek. He noted that Llagas Creek occupies an area that is approximately 2-3 feet wide, and that the project will need to improve Llagas Creek by over 100 feet. The area will become a future channel that will go into an existing culvert and will be a part of the overall Llagas Creek drainage plan that the Corp of Engineers and the Water District are working on. The improvements would eventually tie into the rest of the plans that would go through the City's downtown; alleviating the flooding problems in the downtown. This was the Water District's way of having this project pay for their project. He indicated that he experienced a lot of challenges with the Water District. He stated that a previous environmental impact report (EIR) was completed on the housing area, but that the Water District requested a new EIR that addresses the creek area. He indicated that the Council is being asked to approve the mitigated negative declaration that was a result of the EIR for the creek area. He informed the Council that there were several problems associated with the narrow park area. He stated that he would try to connect the path to the north, crossing the bridge onto Hale Avenue, if possible, as private properties are involved. He said that he is working toward obtaining the right-of-way to extend the City sidewalk to the Mirasol project. He indicated that he served on the Measure C subcommittee and assisted with the update to the standards and criteria for Measure F. In these discussions, it became evident that the Planning Commission and the Committee recommends a greater emphasis be placed on eliminating the small pocket parks and increase funds to the City so that the City can use the funds to acquire larger parks; noting that the City is short of park areas to meet state requirements. He stated that this project will be paying a much higher park fee that will be used to apply toward the purchase of park land. He felt that this was a win-win situation as it solves the problem he had with the Water District.

No further comments being offered, the public hearing was closed.

Council Member Sellers stated that it was exciting to see that amenities will be included, particularly the sidewalk as there is a need for transporting individuals and a need to have access to this area. He stated that it is worth noting that it would not be a loss not to have a homeowners association (HOA) model in this location, and felt that it was the right way to go. He said that the vulnerability the community has with an HOA is that if they chose to limit their involvement in the future, the City would end up with an asset that would not be maintained at the same level. He thanked Mr. Oliver and the team for working hard toward this mitigation.

Action: *On a motion by Council Member Sellers and seconded by Council Member Grzan, the City Council, on a 4-0 vote with Mayor Pro Tempore Carr absent, **Adopted** a Mitigated Negative Declaration and Mitigation Monitoring Program.*

Action: *On a motion by Council Member Sellers and seconded by Council Member Lee, the City Council, on a 4-0 vote with Mayor Pro Tempore Carr absent, **Waived** the Reading in Full of Ordinance No. 1836, New Series (zoning amendment).*

Action: *On a motion by Council Member Sellers and seconded by Council Member Grzan, the City Council **Introduced** Ordinance No. 1836, New Series by Title Only as follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A PRECISE DEVELOPMENT PLAN AMENDMENT FOR THE 2.65 ACRE, 15 UNIT PROJECT LOCATED ON THE NORTHWEST QUADRANT OF***

THE INTERSECTION OF WRIGHT AVENUE AND HALE AVENUE TO ALLOW FOR THE ELIMINATION OF THE .27 ACRE PRIVATE PARK by the following roll call vote: AYES: Grzan, Lee, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: Carr.

Action: On a motion by Council Member Sellers and seconded by Council Member Lee, the City Council, on a 4-0 vote with Mayor Pro Tempore Carr Absent, **Waived** the Reading in Full of Ordinance No. 1837, New Series (development agreement amendment).

Action: On a motion by Council Member Sellers and seconded by Council Member Grzan, the City Council **Introduced** Ordinance No. 1837, New Series by Title Only as follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO THE APPROVED DEVELOPMENT AGREEMENT FOR APPLICATION, DAA-05-07: WRIGHT AVENUE-MANANA TO ALLOW FOR AN AMENDMENT TO PARAGRAPH 14 OF THE DEVELOPMENT AGREEMENT TO ELIMINATE THE PRIVATE PARK REQUIREMENT AND PROVIDE FOR PAYMENT OF PARK IN-LIEU FEES** by the following roll call vote: AYES: Grzan, Lee, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: Carr.

Mayor Pro Tempore Carr resumed his seat on the Dais.

City Council and Redevelopment Agency Action

OTHER BUSINESS:

18. ANNUAL REPORT AND FUNDING REQUEST FROM THE MORGAN HILL DOWNTOWN ASSOCIATION (MHDA)

Business Assistance and Housing Services Director Toy presented the staff report. He indicated that the recommendation is to receive the MHDA's annual report and to consider their request, within the budget approval process. He informed the Council that the MHDA Board is requesting funding for Fiscal Year 2007-08 of approximately \$95,000 as part of the budget process; noting that last year, the Agency funded the MHDA at a level of \$75,000.

Mayor/Chairman Tate opened the floor to public comment.

Leslie Miles, MHDA Board Member, indicated that she has been involved with this downtown organization for the past 20 years. She addressed the 2006-07 accomplishments [e.g., campaigned and assisted with the passage of the Property Based Improvement District (PBID); campaigned and supported Measure F; campaigned and supported the Redevelopment Agency (RDA) extension; increased membership by 20% and will continue to increase memberships and sponsorships; and recruited & hired a new executive director]. She addressed the 2007-08 business plan (e.g., increase revenues, create new events for the downtown, assist with prioritizing RDA investments and PBID funds; and strengthen the MHDA Board and subcommittees). She addressed the MHDA Board's

funding request of \$95,000 for Fiscal Year 2007-08 (one time \$20,000 funding increase from last year's funding to be used to hire an event coordinator with the position being able to pay for itself in the following years). She informed the Council/Agency Board that MHDA's focus is to protect the City's investment and to be the main economic development tool for the City and the downtown. They try to work affectively in a positive way to coordinate events, and help resolve any potential issues in the downtown. It is felt that that the City's continued financial support ensures a return on investment, both tangible and intangible. She stated that there is a real synergy that takes place with a small investment in the downtown, and that the MHDA organization can assist the Council to coordinate this synergism. Further, the MHDA is the eyes and ears for the RDA and the City on downtown issues. The MHDA wants to make sure that the downtown works and that if there are any concerns, they would help bring them forward in a supportive and interactive way to City staff. She stated that the support received from City staff exemplifies the Council's support in funding the MHDA in order to continue the work they have been doing.

Gary Walton stated that it is a given that healthy downtowns require a strong partnership between significant downtown stakeholders. He said that the city is fortunate to have organizations such as the RDA, city government, property owners, merchants, the Chamber of Commerce, and a variety of other citizens that have joined the MHDA to devote their time, energy and money toward a goal of revitalizing the downtown. He stated that maintaining an enduring partnership with other organizations, both private and public, is important for several fundamental reasons. In visiting other cities, the MHDA saw that cities are actively involved in their downtown organizations' budget. He said that having the City on board, and committing to a long term financial support is invaluable in helping to convince others in the community of the value and the merit of specific downtown projects. It was his belief that the City's financial involvement played a significant role in convincing others to tax themselves \$75,000 per year for the next five years. Given the commitment of the downtown property owners for five years of funding, he felt that it would be great if the City would also make the long term commitment of at least five years of funding. This funding would allow the MHDA to conduct the long term planning needed to continue the progress made to date. A long term commitment this evening would demonstrate that the City is willing to be persistent, and that there is an agreement that a great downtown does not get built overnight. By approving the funding for an events coordinator, the City would be willing to increase its promotion efforts to bring more vitality to the downtown, and secure another source of funding for all the great work they do on behalf of the downtown merchants and the community, as a whole. He urged the Council to approve the MHDA's request this evening.

Nathan Benich stated his support of the MHDA as he is passionate about the downtown as it is the heart and core of Morgan Hill. He said that the MHDA creates a unified voice for the merchants, building owners, residents, and other stakeholders. He noted that other shopping centers do not have the local restaurants found in the downtown. He said that the MHDA has many ideas in the queue coming up that will make the downtown even better than it is today as there is always room for improvement. He requested the Council/Agency Board accept staff's recommendation, and to think seriously about the consequences of saying no to MHDA's request.

No further comments were offered.

Action: *On a motion by Council/Agency Member Sellers and seconded by Council/Agency Member Lee, the City Council/Agency Board unanimously (5-0) **Accepted** the Annual Report from MHDA and **Agreed** to Consider their Request within the City/Agency Budget Approval Process for Fiscal Year 2007-2008.*

City Council Action

OTHER BUSINESS:

19. FOX HOLLOW/MURPHY SPRINGS LANDSCAPE ASSESSMENT DISTRICT SETTING OF ANNUAL PUBLIC HEARING – Resolution Nos. 6095, 6096 and 6097

Deputy Director of Public Works Struve presented the staff report, addressing some successes experienced over the last year in the landscaping & lighting assessment district. He indicated that some of the 20 sub areas have very meager budgets for maintenance. Although the City could use more money to maintain the areas, the City was able to live within its means this year; generally improving the health of the assessment district. However, there are still 4 of the sub areas that are severally stressed. The City has been able to maintain very minimal levels of service; conducting primarily weed abatement a couple of times a year. He indicated that there is positive news associated with these sub areas in that the City has made progress on the negative deficit. When the deficit is eliminated in the next few years, the City may be able to live within the means of the assessments that are collected. Therefore there is hope in the future that the City would improve the maintenance even though the property owners are not willing to increase their assessments. He informed the Council that the resolution attached to the staff report recommends a modest increase in assessment for six of the sub areas of \$6-\$30 per parcel per year to pay for the increase in costs associated with maintenance services. He informed the Council that it can approve these increases, as this action does not require Proposition 218 ballot proceedings. This is attributed to the fact that the proposed increases are within the range of the assessment rates established when the sub areas were in the district many years ago. He said that it has been the Council's practice to notify all property owners affected with any proposed increase in assessments. He indicated that the six sub areas represents 238 of the 755 property owners, and that staff will provide such notice to the property owners.

Mr. Struve noted that one of the resolutions attached to the staff report scheduled June 20 as the public hearing date. He said that it was his understanding that the Council may not meet on June 20 in light of the special meeting the Council has called for June 13. He checked with the City's consultant and that it has been determined that the Council could change the public hearing date to June 13 or June 27 as both dates would meet the City's public notice requirements.

Mayor Tate opened the floor to public comment. No comments were offered.

City Manager Tewes informed the Council that earlier in the year, it called a special Council meeting for June 13 for the purpose of further consideration and possible adoption of the Fiscal Year 2007-08 budget. He stated that staff can have a full agenda for the Council on June 13; in which case, it would be appropriate for the Council to cancel the June 20 meeting as the Council would still be holding three meetings in June. In light of the special meeting to be held on June 13, staff recommends the Council cancel its meeting of June 20.

Action: *On a motion by Council Member Sellers and seconded by Council Member Lee, the City Council unanimously (5-0) **Approved** Resolution Nos. 6095, 6096, and 6097 which: 1) Initiates the Proceedings for the Levy of Assessments for Fiscal Year 2007-2008; 2) Provide Preliminary Approval of the Engineer's Report and the Proposed Assessment Levy; and 3) Declare the City Council's Intention to Levy the Assessments in the District and to Set the Public Hearing Date for June 13, 2007.*

20. STATE SENATE BILL 49: LOCAL GOVERNMENT: FINANCIAL ASSISTANCE: SPORTS FRANCHISES

Mayor Tate indicated that he requested this item be agendaized for Council discussion. He stated that he attended a Santa Clara County Cities Association meeting where this item was discussed and several cities providing input on the proposed bill. He said that there was not a discussion as to whether cities wanted the 49ers to move locations. Instead, there was discussion about whether it should be local government's prerogative to take certain actions and not be overruled by the State. It was a strong feeling of the members in attendance at the Cities Association meeting that local government has to stand up and be counted when the State comes along and tries to take away some of their rights and responsibilities. Subsequently to requesting this item be placed on the agenda, he found out that this bill has been placed on hold at the State level, and that it will not be introduced on the floor this year. He did not believe it would hurt to go ahead and weigh in on this bill. He recommended the Council oppose this bill.

Council Member Sellers felt that opposition to the bill is consistent with what the Council has talked about in the past in terms of local government control.

Action: *Council Member Sellers made a motion, seconded by Mayor Pro Tempore Carr, to go on record in **Opposition** to Senate Bill 49 (Migden).*

Council Member Grzan stated that he would not be supporting the motion because he does not know what issue the Council is opposing because the Bill is no longer on the floor to be considered, and that it may not be considered in the future. Therefore, he does not believe the Bill exists.

Vote: *The motion carried 3-2 as follows: Ayes: Carr, Sellers Tate; Noes: Grzan, Lee.*

21. CHAMBER OF COMMERCE ECONOMIC DEVELOPMENT AND REGIONAL TOURISM MARKETING PLANS

Business Assistance and Housing Services Director Toy informed the Council that the Chamber of Commerce is requesting that they be allowed to make a presentation on their Regional Tourism proposal as they are withdrawing their Economic Development proposal as presented as part of the staff report. The Chamber of Commerce would be requesting the Council consider their alternate report. He said that the Council should have received a supplemental letter to the staff report this evening; explaining their request. He recommended the Council accept the Regional Tourism proposal from the Chamber of Commerce, and that it be considered as part of the budget approval process. It was his belief the Council may want to discuss the letter submitted in order to determine what action would be appropriate to take.

Mayor Tate opened the floor to public comment.

Dan Ehrler stated that the Chamber of Commerce is withdrawing the proposal first introduced in January 2007 and later provided to the Council/Agency Board in detail which focused on the hiring of an Economic Development facilitator. He indicated that the Chamber of Commerce listened carefully to the Council's concerns and issues, and decided that there is an alternative approach that should be explored.

Mark Denham, CEO for 247 Workspace, announced the formation of the Morgan Hill Business Improvement Organization; a new consortium of local businesses and business people who are committed to partnering with the City to position it as a desirable/sought out destination for quality jobs, economic growth and additional tax revenue. He stated that the City's proximity to Silicon Valley is an advantage, from the stand point of location, as well as being a challenge as the city competes against the strong hold of the high tech community. He noted that the Chamber of Commerce and the City have been working for several months to develop a proposal to meet the mutual goal of improving the process of attracting growing businesses to the Morgan Hill area. He stated that achieving this goal would result in the retention and attraction of quality jobs, additional tax revenues to the City's general fund, and would provide for an improved quality of life for the residents of Morgan Hill. He indicated that earlier this afternoon, he submitted a letter to the Council outlining their proposal to meet these goals. He said that the two pronged approach: 1) calls for the preparation of an independent comparative analysis on how Morgan Hill works with the business community as compared to how other cities successfully work with their business community. 2) Hold open discussions between the Council and the business community to review what the City is currently doing that helps the community as well as to discuss areas where entities need to band together to affect ongoing positive changes. He stated that upon completion of this work, the business community, City staff and all interested parties will have a clear understanding of specific policies, and procedures to be created, re-worked or abandoned to improve business conditions in the city. He requested that Council Members Lee and Sellers convene a meeting of the Community & Economic Development Committee next week to review their proposal in more detail. A key point of discussion would be the consideration of a one time investment required to complete the recommended analysis, and an agreement on a completion timeline. They recognize that this may be a difficult budgetary decision for the Council, and therefore, the members of the Morgan Hill Business Improvement Organization are prepared to share in the cost of the work being recommended. He said that they would like to do everything possible to ensure Morgan Hill is as competitive as possible in the areas of economic development and job growth.

Jeff Perkins indicated that he is a founding member of the Morgan Hill Business Improvement organization and that he is a member of the Chamber of Commerce. He stated his support for the proposal as outlined by Mr. Denham. It is felt that an independent comparative analysis that takes a look at what the public and private sectors in Morgan Hill are doing to attract/retain businesses is a healthy exercise. He said that hard data will be provided to the Council to evaluate and act upon. He stated that the business community stands ready to roll up their sleeves, and work with the City, in partnership, to bring quality businesses and good jobs to Morgan Hill. Doing so would increase the amount of tax dollars to be captured by the City, and improve the overall quality of life for the City's residents. He said that their proposal is designed to meet the Council's policy and goals adopted in February 27, 2007; specifically the policy that states that the Council would evaluate any proposals for expanding current staffing levels or increasing service levels in the context of their long range financial

implications. He urged their proposal to be fully discussed by the Community & Economic Development Committee as soon as possible.

Mr. Ehrler said that due to a change in the Chamber's direction and the withdrawal of its original proposal presented earlier this year, the Chamber respectfully requests that the City allocate \$90,000 in order to continue the economic development partnership into Fiscal Year 2007-08. He indicated that the Chamber would work in concert with the Community & Economic Development Committee and the Business Assistance & Housing Director in terms of how these funds are to be allocated for the fiscal year.

Mr. Ehrler informed the Council/Agency Board that the South Santa Clara Valley Tourism Partnership with Gilroy has been in existence for approximately a year; a regional approach to tourism. He said that this Partnership was established with a mission of enhancing the image and economic well being of the South Santa Clara Valley region; consisting of Morgan Hill, Gilroy and San Martin. The Partnership took the leadership role in promoting and marketing; facilitating the use of the entire South Santa Clara Valley region as a viable visitor destination. He indicated that the Partnership markets and promotes Morgan Hill, Gilroy and the San Martin regions. He said that focus of the partnership is to encourage tourism; increasing the transient occupancy tax and sales tax. He presented the Council with publications where advertisements have been placed, and addressed other accomplishments. He requested continuation of the South Santa Clara Valley Tourism Partnership, and a three-year funding commitment of \$50,000 for each year; resulting in a Fiscal Year 2007-08 \$100,000 budget to do more to educate, promote, and bring individuals to the gateway to the Central Coast. This represents an annual \$14,000 increase from the Fiscal Year 2006-07 allocation.

Mr. Ehrler informed the Council that the Gilroy Visitors Bureau conducted a study session with their City Council on March 19 where the same proposal was presented to the Gilroy City Council. The Gilroy Council had favorable comments and that they are now considering the same proposal the Chamber is asking this Council to consider for this upcoming year. He stated that at the completion of the three year funding plan, a full review of the partnership, operations and marketing will be conducted in order to determine the next steps for the program. He indicated that the Community & Economic Development Committee and Council would continue to receive updates and annual reports on this program. He felt that this has been a significant year in terms of getting Morgan Hill out to a very large audience in a way that has not been done before. It was his belief that the regional approach is the best way to go, and requested the Council consider this proposal.

No further comments were offered.

Council Member Sellers said that he had the opportunity to speak briefly with Mr. Ehrler about this proposal as well as with some of the other individuals involved with this proposal. He requested Council direction regarding the Chamber of Commerce's request to have the Community & Economic Development Committee undertake the review of the alternate proposal.

Council Member Lee indicated that she also met with Mr. Ehrler and others regarding the new proposal. She stated that she is open to the review of the new proposal as it sounds to be a very interesting proposal. She noted that many business individuals have collaborated to put this proposal together, and felt that it would be incumbent upon the Council to discuss the proposal.

Mayor Tate noted that the Council will be conducting its budget workshop this Friday, and that the Council can evaluate the proposal at that time.

Council Member Sellers said that the Council felt that review of the proposal would provide a helpful background as part of the budget study. The Council can get an idea of the direction prior to the adoption of the budget in June.

Mayor Pro Tempore Carr stated that he did not have a problem having the Community & Economic Development Committee meet to discuss the proposal further next week. However, he did not believe that doing so should change any of the other budgetary discussions that will commence this Friday.

Mayor Tate did not realize the City's study was five years old. He did not understand why it is being stated that the City needs to bench mark the proposal against every city. He indicated that the City retains the services of consultants to perform studies so that they can bring in best practices. He was not understanding the benefit of what is being proposed and that he needs to understand it better.

Council Member Sellers stated that the Committee could compare notes and share information so that the Chamber and the Morgan Hill Business Improvement Organization are not duplicating efforts, and to talk about completing and determining what information is not in place.

Action: *On a motion by Council Member Sellers and seconded by Council Member Grzan, the City Council unanimously (5-0): 1) **Accepted** the Regional Tourism Report, and 2) **Referred** the request to the Fiscal Year 2007-08 budget approval process, and the Community & Economic Development Committee.*

**22. APPOINTMENTS TO THE SANTA CLARA VALLEY TRANSPORTATION
AUTHORITY – POLICY ADVISORY COMMITTEE, AND THE SOUTH COUNTY
JOINT PLANNING ADVISORY COMMITTEE**

Mayor Tate indicated that when the Council conducted its appointments to outside agencies in February, he took on a few assignments without determining if there were meeting conflicts. He stated that he has a three-way conflict on the second Thursday of the month between the Santa Clara County Cities Association and the VTA Policy Advisory Committee. There is also a conflict with the South County Joint Planning Advisory Committee that meets bi-monthly on the second Thursday, and a short term effort on the Habitat Conservation Plan. These four meetings were in conflict. He stated that he would like to continue with the Santa Clara County Cities Association and the Habitat Conservation Plan. He indicated that Council Member Lee has agreed to take over the primary role on the VTA Policy Advisory Committee. He recommended that Council Member Lee become the primary representative and that he serve as alternate to this Committee. He did not have someone who would take on the assignment for the South County Joint Planning Advisory Committee that meets approximately 3-4 times a year.

Mayor Pro Tempore Carr agreed to take on the primary assignment to the South County Joint Planning Advisory Committee.

Action: *On a motion by Council Member Grzan and seconded by Council Member Sellers, the City Council unanimously (5-0) **Approved** Mayor Tate's appointment of Council Member Lee as the primary representative to the VTA Policy Advisory Committee and that he would be the alternate to this Committee. Mayor Pro Tempore Carr to be the City's primary representative to the South County Joint Planning Advisory Committee with Council Member Sellers serving as alternate to this Committee.*

FUTURE COUNCIL-INITIATED AGENDA ITEMS

No items were identified.

Redevelopment Agency Action

CLOSED SESSION:

Agency Counsel Kern announced the below listed closed session item:

2.

CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Authority:	Government Code 54956.8
Property:	17440 Monterey Road, APN: 726-14-028
Negotiating Parties:	
For City:	City Manager, Director of Business Assistance & Housing Services, City Attorney
For Property Owners:	Sherman House Associates
Closed Session Topic/Under Negotiation:	Price and Terms of Payment

City Council Action

CLOSED SESSION:

City Attorney Kern announced the below listed closed session items:

3.

CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION

Authority:	Government Code section 54956.9(a)
Case Name:	Arcadia Development Company v. City of Morgan Hill
Case Number:	County of Santa Clara No. 1-04-CV-020598.
Attendees:	City Manager; City Attorney; Special Counsel

4.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Authority	Government Code 54957
Public Employee Performance Evaluation:	City Attorney
Attendees:	City Council, City Attorney

5.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Authority	Government Code 54957
Public Employee Performance Evaluation:	City Manager
Attendees:	City Council, City Manager

OPPORTUNITY FOR PUBLIC COMMENT

Mayor/Chairman Tate opened the Closed Session items to public comment. No comments were offered.

ADJOURN TO CLOSED SESSION

Mayor/Chairman Tate adjourned the meeting to Closed Session at 8:42 p.m.

RECONVENE

Mayor/Chairman Tate reconvened the meeting at 10:14 p.m.

CLOSED SESSION ANNOUNCEMENT

Mayor/Chairman Tate announced that no reportable action was taken in closed session.

ADJOURNMENT

There being no further business, Mayor/Chairman Tate adjourned the meeting at 10:15 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK/AGENCY SECRETARY